

Exhibit 2

1
2 UNITED STATES BANKRUPTCY COURT

3 SOUTHERN DISTRICT OF NEW YORK

4 -----X

5 In re: Case No. 12-12020 (MG)

6 RESIDENTIAL CAPITAL, LLC,

7 et al.,

8 Debtors.

9 -----X

10
11 CONTAINS CONFIDENTIAL PORTIONS

12 30 (b) (6) DEPOSITION OF RESIDENTIAL CAPITAL, LLC

13 by JILL HORNER

14 New York, New York

15 May 8, 2013

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23
24 Reported by:

Bonnie Pruszynski, RMR

25 JOB NO. 61206

1 J. Horner

2 MR. SHORE: Let's mark that Number 1.

3 (Horner Exhibit 1 marked for
4 identification as of this date.)

5 Q Okay. Have you seen that document
6 before?

7 A Yes, I have.

8 Q Okay. And if you could turn to the
9 ninth page, the Rule 30(b)(6) topics. Do you
10 understand that you will be appearing today on
11 behalf of the debtors with respect to any of the
12 topics, six topics listed on page nine of Horner
13 Number 1?

14 A I do.

15 Q And which topics do you understand
16 that you are appearing and answering on behalf of
17 the company?

18 A Could be all.

19 Q Could be all.

20 MR. ENGELHARDT: The witness can
21 testify to number one, number two, number
22 four. Number five I believe is moot. And
23 number six.

24 MR. SHORE: Okay.

25 MR. ENGELHARDT: And also with

1 J. Horner

2 assets sufficient to satisfy that [REDACTED]?

3 A No.

4 Q Okay. And are you willing to testify
5 today that -- as to the wherewithal of any
6 particular debtor to pay any of these particular
7 expenses?

8 MR. ENGELHARDT: Objection to form.

9 A No.

10 Q So are you -- what is your
11 understanding of an adequate protection lien, if
12 any?

13 MR. ENGELHARDT: Objection to the
14 extent it calls for a legal conclusion.

15 A I do not know.

16 Q Do you know anything as to what an
17 adequate protection payment is?

18 A I'm not familiar with it.

19 Q Okay. Have you ever heard the
20 concept of adequate protection?

21 A I did.

22 Q Okay. Without -- if you can, without
23 revealing legal advice, what have you heard about
24 what adequate protection is?

25 MR. ENGELHARDT: I caution the

1 J. Horner

2 witness not to reveal any conversations she
3 may have had with counsel.

4 A I have no understanding what it is.

5 Q Okay. So, if you bring out your
6 Horner Number 1, go back to the 30(b)(6) topics,
7 can you testify today at all with respect to
8 expense allocations on an estate-by-estate basis?

9 A Not on an estate-by-estate basis, no.

10 Q And what, if anything, did you do to
11 prepare to respond to topic number six?

12 A Nothing.

13 Q Did anybody even ask you to look at
14 expense allocation on an estate-by-estate basis?

15 A No.

16 MR. ENGELHARDT: Objection to form.

17 Q Okay. So, let's focus now on
18 column A, which is accrued unpaid as of 4/30/13.
19 Do you see that?

20 A I do.

21 Q Have you done any work to
22 determine -- or first of all, have you done any
23 work with respect to that column, that is
24 expressed in your declaration?

25 A Not in this particular column, I have

1 J. Horner

2 liquidating assets?

3 A No.

4 MR. ENGELHARDT: Objection to form.

5 Q And as you sit here today, can you
6 testify as to whether or not that [REDACTED]
7 expense benefits the junior secured noteholders at
8 all?

9 MR. ENGELHARDT: Objection to form.

10 A I can't express an opinion.

11 Q And can you express any opinion as to
12 whether or not that [REDACTED] constitutes a necessary
13 expense of liquidating the JSN's collateral?

14 A Not that I am aware of.

15 Q And since you have been offered as a
16 30(b)(6) witness on behalf of the company, what is
17 the company's view as to whether that
18 [REDACTED] expense constitutes a necessary
19 expense of liquidating the collateral of the
20 junior secured notes?

21 MR. ENGELHARDT: Objection to form.

22 A I believe the company would agree.

23 Q And what is your basis for saying
24 that?

25 A Just the conversations that I have

1 J. Horner

2 had to date with my predecessor.

3 Q And what did your predecessor say?

4 A That that was aligned with the junior
5 secured notes.

6 Q Why?

7 A I don't recall.

8 Q Who is your predecessor?

9 A Jim Whitlinger.

10 Q So Mr. Whitlinger told you something
11 and you forgot it, as to why [REDACTED]
12 constitutes a necessary expense?

13 A Yes.

14 Q Okay. And as I said, independent of
15 what Mr. Whitlinger told you, you have no view --

16 A I don't.

17 Q -- on behalf of the company?

18 A No.

19 Q The [REDACTED] entry, which is

20 [REDACTED]

21 A Yes.

22 Q What do you understand that to be?

23 A My understanding is, a portion of
24 what is deemed the carve-out under the collateral
25 motion for professional fees.

1 J. Horner

2 Q Okay. And how do you understand the
3 allocation of the [REDACTED] to have been made?

4 A Made on assets.

5 Q Okay. And when you say "assets,"
6 what do you mean?

7 A Assets that are sitting between the
8 line of credit and the revolver.

9 Q And based on what type of valuation?

10 A I believe the [REDACTED] balance.

11 Q Well, what -- what is the valuation
12 of the collateral at that time?

13 A I -- I would not know that off the
14 top of my head.

15 Q Can you tell me how at all the
16 collateral was valued at [REDACTED] -- that is
17 February 28th; right?

18 A Correct.

19 Q Can you tell me anything about how
20 the collateral was valued at [REDACTED] such that you
21 could do an allocation of the -- of the carve-out
22 expense?

23 A I believe it is just the book value.

24 MR. ENGELHARDT: Objection to form.

25 Q What is your basis for saying you

1 J. Horner

2 Q If you know.

3 A I -- I don't know off the top of my
4 head.

5 Q And with respect to that [REDACTED]
6 or so cash amount, what, if any, knowledge do you
7 have as to how that cash is allocated across
8 various debtor entities?

9 A I wouldn't have -- I don't know
10 entity by entity where the cash is.

11 Q Okay. And let's focus on number two.
12 All right. "Each debtor's basis for determining
13 that its estate requires the use of cash
14 collateral during the cash collateral extension
15 period."

16 What is the company's testimony as to
17 each debtor's basis for determining?

18 A We -- you know, as far as future
19 expenses or use of cash collateral, we do not do
20 our forecast on a debtor-by-debtor basis, and so
21 we do everything in the aggregate from a
22 forecasted perspective.

23 Q Okay. So, let me ask a question.
24 With respect to -- you understand there is an
25 entity known as ResCap LLC.

1 J. Horner

2 usage?

3 MR. ENGELHARDT: Objection to form.

4 A I don't know that.

5 MR. ENGELHARDT: Also, objection to
6 the extent it calls for a legal conclusion.

7 Q Let me rephrase that.

8 As you sit here today, can you tell
9 me whether ResCap LLC needs to access any cash
10 collateral?

11 A I do not know that.

12 Q And can you tell me whether --
13 whether any particular debtor needs to access cash
14 collateral?

15 MR. ENGELHARDT: Objection to form.

16 A Not on an entity-by-entity basis.

17 Q And what, if anything, did you do in
18 preparation for your deposition to answer on
19 behalf of the company with respect to each
20 debtor's basis for determining that its estate
21 requires the use of cash collateral during the
22 cash collateral extension period?

23 A Since we don't do anything from a
24 future forecast, I -- there was nothing to do.

25 Q Well, are you saying it's impossible

1 J. Horner

2 to do?

3 A Everything is possible. No, I don't
4 know what this is, though.

5 Q And do you have any understanding of
6 the complexity of doing it on a debtor-by-debtor
7 basis?

8 A It's extremely complex.

9 Q Why is that?

10 A Just the level of information that we
11 have for the forecast, we do not have it by
12 entity.

13 Q Is it tracked within the company
14 somewhere?

15 A Not from a forecast perspective.

16 Q What about from an expense
17 perspective?

18 A From an actual perspective?

19 Q Yes.

20 A Where expenses are by entity, they
21 are recorded accordingly.

22 Q So you could -- could have given me,
23 for example, cash on a debtor-by-debtor basis?

24 MR. ENGELHARDT: Objection to form.

25 Q As of a certain date?

1 J. Horner

2 A As of a certain date, yes.

3 Q And what role, if any, did you play
4 in the preparation of cash on a debtor-by-debtor
5 basis?

6 MR. MORRIS: Objection to form.

7 Q Any analysis done on that.

8 A I did not do any analysis on that.

9 Q What analysis, if any, did you do or
10 know about with respect to determining how much
11 cash there was on a debtor-by-debtor basis broken
12 down into cash collateral and encumbered cash?

13 A Ask the question again.

14 Q Sure.

15 What analysis, if any, did you do
16 with respect to determining on a debtor-by-debtor
17 basis how much of their cash was either cash
18 collateral within the three collateral islands or
19 cash collateral outside those three islands?

20 A We don't break the cash down in the
21 forecasts by debtor by debtor.

22 MR. ENGELHARDT: Counsel, with
23 respect to your cash questions, I believe
24 we -- one of the first documents that we
25 produced --

1 J. Horner

2 Q Let's go back to Horner Number 2,
3 which is the chart. You are listing -- what role,
4 if any, did you play in prior expense allocations
5 within the debtor entities?

6 MR. MORRIS: Objection to form.

7 A Prior to?

8 Q Prior to, first of all, your joining
9 as CFE.

10 A I was not involved in any of the
11 allocations of expenses prior to that.

12 Q Okay. And since joining as CFE, have
13 you had any role?

14 A Yes. Looking at the total three-year
15 budget and looking at an allocation of those
16 expenses.

17 Q Okay. And have you looked at an
18 allocation of those expenses other than the
19 allocation that is set forth in your declaration?

20 A We look at the allocation of expenses
21 on a monthly basis.

22 Q And how is that allocation done
23 differently than the allocation method you are
24 using in your declaration, if there is a
25 difference?

1 J. Horner

2 A I believe the difference is that
3 currently it's allocated based on assets, and the
4 allocation currently today is defined by direct
5 costs or that are related to certain functions of
6 the business.

7 Q When you say allocated based on
8 assets, what do you mean?

9 A Allocated based on the book value of
10 those assets.

11 Q As of what period in time?

12 A As of the month in which we were
13 allocating the expenses.

14 Q Are you aware of whether any of the
15 assets, the book value of any of the assets within
16 the collateral islands has changed while you have
17 been CFE?

18 A As it relates to how it's recorded in
19 the general ledger, yes.

20 Q And how did the changes occur?

21 A Collections of, you know, advances,
22 collections, or claims resolved, would be primary
23 reasons of why that change in collateral.

24 Q Can you think of any reasons other
25 than disposition of assets carried at book value

1 J. Horner

2 assets appropriately.

3 Q And why did you do that?

4 A I was asked to do that by my
5 advisors.

6 Q And which advisors were those?

7 A It would be MoFo, FTI and Centerview.

8 Q And in your view, is that an
9 appropriate method for allocating expenses, just
10 from a financial perspective?

11 A The prospective one?

12 Q Yes.

13 A Yes.

14 Q And what, if any, views do you have
15 as to the appropriateness of the allocation prior
16 to that?

17 A I think -- I have no opinion on that.

18 Q Okay. Is it fair to say that the
19 expenses -- at least from the financial function,
20 the expense allocation by book value of assets was
21 something that Mr. Whitlinger put in place?

22 A I believe he was involved.

23 Q And that was an expense -- expense
24 allocation methodology that you inherited when you
25 became CFE?

1 J. Horner

2 A Yes.

3 Q Is the company currently using the
4 direct cost expense allocation methodology for
5 forecasting?

6 A Yes, it is.

7 Q And when was that switch made?

8 A The middle of April.

9 Q And why was that switch made?

10 A Based on methodology that was
11 proposed in the declaration, we determined that
12 that would be the right way going forward in our
13 cash flow forecasts.

14 Q When you say "we determined" it was
15 the right method, that is the financial function
16 determined it was the right method?

17 A Right. Collectively with our
18 advisors.

19 Q So we are clear, I think I asked this
20 before, but now I have got a little more answers,
21 the [REDACTED] that is listed in column A, at
22 the bottom of column A of Horner Number 2, has
23 there been any attempt, as far as you know, to
24 perform an allocation of expenses based upon the
25 direct expense methodology?

1 J. Horner

2 A Not for column A, no.

3 Q But that's an analysis you could do;
4 right?

5 A We could do.

6 Q Why haven't you done it?

7 MR. HOROWITZ: Objection to form.

8 MR. ENGELHARDT: Objection to form.

9 A Where it is on the priorities.

10 MR. MORRIS: Can I have the answer
11 read back.

12 (Record read.)

13 BY MR. SHORE:

14 Q When is the last time you know that
15 the expenses were forecast -- expenses were
16 forecast on the -- that's the wrong question.

17 From time to time has the company
18 forecasted expenses on the book value asset
19 methodology?

20 MR. ENGELHARDT: Objection to form.

21 A We --

22 Q So, when you joined, there was a
23 methodology for allocation of expense --

24 A Correct.

25 Q -- based upon book value of assets.

1 J. Horner

2 Q Do you know whether they looked at
3 bank account statements as opposed to ledger cash?

4 A No. I believe this would be ledger
5 cash.

6 Q Um-hum.
7 What's the difference between ledger
8 cash and actual cash in bank accounts?

9 MR. MORRIS: Objection to form.

10 Q As of any particular period in time.

11 A Ledger cash would be made up of
12 multiple bank accounts.

13 Q Any other difference?

14 A Not that I am aware of.

15 Q No differences with respect to
16 timing?

17 A There could be differences in timing,
18 if there is a need to move cash between accounts.

19 Q Okay. And what was the reason for
20 picking February 28th as the date?

21 A I believe that was the request.

22 Q The -- and then you sat and you
23 talked about this with counsel; right?

24 A Not a deep discussion, no.

25 Q How long did the discussion take?

1 J. Horner

2 MR. ENGELHARDT: Don't reveal any
3 part of the discussion.

4 A It was brief.

5 Q Okay. A minute, 30 seconds, five
6 minutes?

7 A Five minutes.

8 Q Okay. And how comfortable do you
9 feel testifying on behalf of the company that
10 every single figure in here is accurate?

11 A I believe if this ties to the general
12 ledger, then as of that point in time, I'm
13 comfortable.

14 Q Now, going back to questions we had
15 before, so, if you look at the line one, LE50000
16 Residential Capital LLC, what do you understand
17 that number to be?

18 A That would be the -- LE50000
19 Residential Capital is the legal entity that you
20 referred to as ResCap LLC, and that would be the
21 cash sitting in ResCap LLC that is revolved --
22 that is aligned with the Ally revolver.

23 Q And just so we are clear, which lines
24 would add up to tell you what cash in Residential
25 Capital LLC rolls up into the three collateral

1 J. Horner

2 MR. HOROWITZ: Objection to form.

3 Q What you would be doing in that
4 instance is going back to the general ledger to
5 see how it's booked; right?

6 A Yes, I would.

7 Q But you didn't have any role at all
8 in actually booking the value of those assets.

9 A No, I do not have a role.

10 Q So, when you say you could prepare --
11 you can provide testimony on behalf of the company
12 with respect to the valuation of those assets,
13 that means you could go back to the general
14 ledger, see what was listed in the general ledger,
15 and tell me that.

16 MR. MORRIS: Objection to form.

17 A Yes.

18 Q And you couldn't do anything more
19 than that?

20 A No.

21 Q All right. Going back to Horner
22 Number 2, column A, on behalf of the company, can
23 you tell me how payment of the [REDACTED] in
24 column A would benefit the junior secured notes?

25 MR. LERNER: Objection to form.

1 J. Horner

2 A No, I cannot.

3 Q But do you understand that the
4 payment of the [REDACTED] in the way this chart
5 is presented would be out of the junior secured
6 noteholders' cash collateral?

7 A Yes, that is my understanding.

8 Q And with respect to the 30.4 million
9 in column B, on behalf of the company, how does
10 the payment of that \$30.4 million out of the
11 junior secured noteholders' cash collateral
12 benefit the junior secured noteholders?

13 A The primary components of these
14 expenses are the expenses that are related to the
15 monetization of the assets that are sitting on the
16 books, collection of recoveries, and support of
17 those functionalities.

18 Q Okay. And then we looked at column C
19 before. The payment of the [REDACTED] -- I think I
20 got that, that testimony before.

21 MR. SHORE: All right. Let's take a
22 short break. We will come back, and we'll
23 go through the declaration.

24 (Recess taken.)

25 BY MR. SHORE:

1 J. Horner

2 Q Can we go back to Horner Number 2,
3 please. Looking at column B, the \$30.4 million
4 number, did you or any member of your team make
5 any effort to market test the numbers, that is to
6 determine whether any particular line within
7 column B represented a market rate of expense?

8 A No.

9 MR. ENGELHARDT: Objection to form.

10 Q I take it that this was just a
11 reflection of what is the actual expense if
12 this -- if these expenses are incurred by the
13 debtors and their personnel.

14 A This represents what was in the
15 three-year forecast; correct.

16 Q And is there a reason why you did not
17 look to see what it would cost to do the -- to
18 incur these expenses at a market rate?

19 MR. ENGELHARDT: Objection to form.

20 MR. MORRIS: Objection to form.

21 A No.

22 Q So, if you look at, for example,
23 subservicing fees, line one in Horner
24 declaration -- or in column B, did you make any
25 particular effort to determine whether the

1 J. Horner

2 [REDACTED] expense there represents a market
3 rate of subservicing fees for the particular
4 collateral that is within the collateral islands?

5 MR. ENGELHARDT: Objection to form.

6 A No, I did not do a market analysis.

7 Q Are you aware of whether any member
8 of your team did that?

9 A I'm not aware of anything.

10 Q So, as you sit here today on behalf
11 of the company, you can't represent that [REDACTED]
12 represents an expense that would be charged at a
13 market rate.

14 MR. ENGELHARDT: Objection to form.

15 A Not -- I cannot.

16 Q And with respect to then if we went
17 through any particular of the -- any particular
18 line item expense in column B of Horner Number 2,
19 you couldn't tell me whether -- whether a market
20 rate of expense would be higher or lower than what
21 you list?

22 MR. ENGELHARDT: Objection to form.

23 A No, I could not.

24 Q Looking at Horner Number 4. Just so
25 we are clear, you don't know what the cash is as

1 J. Horner

2 of today. I think we went through that. Right?

3 A As of today, no.

4 Q But you believe that the cash number
5 is approximately the same?

6 A Yes.

7 Q And the [REDACTED] of unencumbered
8 cash, do you see that?

9 A I do.

10 Q Is there enough unencumbered cash to
11 pay all of the forecasted expenses over the
12 allocation period?

13 MR. ENGELHARDT: Objection to form.

14 You can answer.

15 A I have not completed the analysis to
16 determine that.

17 Q And leave aside the allocated
18 expenses; is there enough cash within the estate
19 currently to pay the expenses of the debtors over
20 the forecast period?

21 A For the cash that is in there today
22 over the -- yes. In totality, yes.

23 Q And with respect to unencumbered
24 cash, is there enough unencumbered cash in the
25 company today to pay the expenses of the debtors

1 J. Horner

2 listed in the addition of columns A, B and C on
3 Horner Number 2?

4 A Please restate the question.

5 Q Sure.

6 If you have [REDACTED] of
7 unencumbered cash as of 2/28; right?

8 A Um-hum, yes.

9 Q And you believe that to be about the
10 amount of cash you have today; right?

11 A To the best of my understanding.

12 MR. ENGELHARDT: Objection to form.

13 Q Is it your belief that that amount of
14 cash is sufficient to pay all of the expenses, the
15 full quantum of expenses that are projected, both
16 accrued and projected, over the -- over the
17 forecast period included in Horner Number 2?

18 MR. ENGELHARDT: Objection to form.

19 Q Look, I just want to make sure I got
20 the math right. You are projecting that there is
21 going to be [REDACTED] of expense associated
22 with paying accrued expenses and paying direct
23 costs for -- for monetization of the collateral;
24 right?

25 A Correct.

1 J. Horner

2 Q And that [REDACTED] could be paid
3 out of unencumbered cash?

4 A I don't know that it could be paid
5 out of unencumbered cash.

6 Q I'm not asking for a legal
7 conclusion. Just as a matter of math, you have
8 enough unencumbered cash to pay those expenses.

9 A Right. Of the [REDACTED], yes, out of [REDACTED].
10 But there is additional expenses and unaccrued
11 that are not included on this page.

12 Q Those are not expenses that are
13 accrued with respect to the collateral islands?

14 A Not the three, no.

15 Q When you say there are additional
16 expenses, those are in -- in islands that do not
17 constitute the collateral of the junior secured
18 notes?

19 A That is true.

20 Q And let me ask, since there are other
21 islands which are subject to -- well, let me ask
22 this.

23 Have you done any cash flow analysis
24 to try to match that up, in other words, to
25 determine whether you have sufficient cash at any

1 J. Horner

2 the servicing of the, or to the collection efforts
3 on the FHA/VA loans?

4 A Yes, as it relates to [REDACTED], and
5 [REDACTED].

6 Q [REDACTED], okay.

7 But then can you map any other
8 particular costs or expenses to the -- to the line
9 one in Horner Number 3, beyond subservicing fees?

10 A Not at a portfolio level, no.

11 Q So let me look at something like HFS
12 loans, [REDACTED] [REDACTED], under Ally
13 revolver. Okay. You understand that is one of
14 the collateral islands?

15 A Yes, I do.

16 Q Okay. Can you tell me how much of
17 the expense, the \$30.4 million of expense, is
18 being used to collect on that [REDACTED] of
19 assets?

20 A No, I cannot.

21 Q Okay. And do you even have a sense
22 directionally of how much it is?

23 A Not at an asset level.

24 Q [REDACTED] [REDACTED]
[REDACTED] If there is

1 J. Horner

2 [REDACTED] of book value of the -- first of all,
3 on this chart that you produced to us, do you have
4 an understanding of what the basis is for the
5 valuation numbers that are listed?

6 A I believe this was from a general
7 ledger balance sheet.

8 Q As of what date?

9 A I'm not sure, since it's not
10 documented.

11 Q Okay. Did you play any preparation
12 in this report or this page?

13 A Not in the preparation, no.

14 Q So, [REDACTED]. Other than the
15 subservicer fees, can you tell me what other costs
16 are -- of the 30.4, are being spent on liquidating
17 those assets?

18 A Not on this particular asset type,
19 no.

20 Q Okay. Or any of the particular asset
21 types that are listed here?

22 A No. We --

23 MR. HOROWITZ: Object to form. You
24 said liquidating the assets?

25 MR. SHORE: Yeah. You can object to

1 J. Horner

2 form.

3 Q Do you understand what I mean by
4 liquidating the assets?

5 A Monetization of the assets.

6 Q Right.

7 A So, we did the expenses based on all
8 asset categories.

9 Q So, what effort, if any, have the
10 debtors made to determine whether or not it's
11 really worth spending any more money trying to
12 protect a particular asset class?

13 MR. ENGELHARDT: Objection to form.

14 Q So, for example, if you had -- can
15 you look at [REDACTED], "Other," [REDACTED]. Can you
16 testify under oath that there aren't more than
17 [REDACTED] of costs in your 30.4 that are
18 attributable to collection of those assets?

19 A No, I cannot.

20 Q Right. So it may be that you are
21 seeking authorization to use cash collateral to
22 incur expenses that are greater than what you
23 might collect on a particular set of assets.

24 MR. ENGELHARDT: Objection to form.

25 A I cannot --

1 J. Horner

2 A I do not.

3 Q Is there any -- is there an asset
4 disposition plan?

5 A There is.

6 Q And what role, if any, did you play
7 in the preparation of the asset disposition plan?

8 A I did not participate in the creation
9 of that plan.

10 Q Does Mr. Puntus have any
11 responsibility for the asset disposition plan, if
12 you know?

13 A No, he does not.

14 Q No, he does not.

15 Is there any reason why there
16 couldn't be a member of the asset disposition, or
17 someone who was responsible for the asset
18 disposition plan couldn't testify in court as to
19 what the asset disposition plan is?

20 MR. ENGELHARDT: Objection to form.

21 MR. HOROWITZ: Objection to form.

22 Q As far as you know.

23 A As far as I know, there could be
24 somebody that would be able to articulate the
25 plan.

1 J. Horner

2 Q Okay. So when we looked at the
3 FHA/VA loans and you pointed me to the
4 subservicing fees --

5 A Yes.

6 Q -- [REDACTED] of Horner
7 Number 2, what do those subservicing fees
8 represent?

9 A The cost that we paid to the
10 servicer.

11 Q Ocwen?

12 A Ocwen.

13 Q And just so we are clear, what of the
14 remaining 30.4 in expenses is related to employees
15 who supervise the subservicing that is done by
16 Ocwen?

17 A I do not know that number off the top
18 of my head.

19 Q You do understand that there are
20 certain employees of the debtors who are tasked
21 with supervising the Ocwen servicing.

22 A Yes, I do.

23 Q And you do understand that certain
24 amount of the costs associated with -- of the
25 30.4, would include charges for people supervising

1 J. Horner

2 the work that Ocwen does.

3 A I -- yes, I do.

4 Q So if, for example, the debtors just
5 turned over the FHA/VA loans to an entity which
6 could hold the FHA/VA loans, it could avoid any
7 future expense with respect to the collection of
8 the -- those loans?

9 MR. HOROWITZ: Object to form.

10 MR. ENGELHARDT: Object to form.

11 A That would be up to that entity.

12 Q Has anybody approached you within the
13 company to determine which of the asset classes
14 listed in Horner Number 3 would be, would be --
15 would be suitable candidates for turning over to
16 the lenders?

17 MR. ENGELHARDT: Objection to form.

18 A No, nobody has approached me on that.

19 Q As part of your analysis in preparing
20 your declaration, did you determine what benefit
21 might be had by turning particular asset classes
22 over to the lenders rather than incurring expenses
23 related to the monetization of those assets?

24 A No, that was not part of any analysis
25 that we completed.

1 J. Horner

2 look at that document.

3 Q Okay. I will pull that. I don't
4 have that one here. I have it downstairs.

5 Let's focus on Horner Number 2, and
6 let's look at the [REDACTED] in column B,
7 [REDACTED]. What does that represent?

8 A This would represent a portion of the
9 compensation and benefits that are related to
10 individuals that either directly support the
11 functions, you know, with regards to asset
12 disposition, monetization, claims recoveries, the
13 resolution of the origination pipeline or the
14 completion of the file foreclosures that are in
15 the ETS inventory.

16 Q Included in that, are there any
17 hourly -- hourly employees?

18 MR. ENGELHARDT: Objection to form.

19 A I don't believe so.

20 Q Everyone is salaried?

21 A Within the organization, no.

22 Q Within that [REDACTED]?

23 A I believe so.

24 Q And have, as far as you know, the
25 debtors done any analysis as to whether or not, if

1 J. Horner

2 any particular asset class within the collateral
3 silo was turned over to the junior secured notes,
4 whether or not you could reduce the number of
5 salaried employees?

6 MR. MORRIS: Objection.

7 A We have not completed that analysis.

8 Q So, as far as you know, is that [REDACTED],
9 or all the work -- so -- right.

10 So, if in fact any of the asset
11 classes were -- were monetized now, as of today,
12 can you tell me how much of that [REDACTED] the
13 debtors would actually save?

14 MR. ENGELHARDT: Objection to form.

15 A No, I cannot.

16 Q It may be that every single employee
17 who rolls up into that [REDACTED] would still
18 be employed by the company and they would just be
19 doing less work.

20 A That could be a possibility, yes.

21 Q Is there any particular employee that
22 rolls up into that [REDACTED] who is solely
23 responsible for the liquidation of the collateral
24 in the collateral islands?

25 A No, not that they are solely

1 J. Horner

2 responsible for the liquidation of those assets.

3 Q All right. Let's go to your
4 declaration, which is Horner Number 5. Can you
5 identify that document, please?

6 MR. ENGELHARDT: I don't think the
7 witness heard your question.

8 Q Could you identify that document,
9 please? Sorry.

10 A Yes. This is my declaration.

11 Q Okay. Who drafted this declaration?

12 A My advisors.

13 Q Who is that?

14 A FTI.

15 Q And what did you -- what role did you
16 play in the drafting?

17 A Discussed the components of it,
18 reviewed it, edited it.

19 Q Did you play any role in the
20 calculation of any of the particular numbers that
21 are listed in Horner Number 5?

22 A Yes. I played a primary role in the
23 calculation of the numbers.

24 Q Can you describe what you did?

25 A I can. I, once again utilizing the

1 J. Horner

2 collateral securing the junior secured notes?

3 A Not based on my current expense
4 estimates.

5 Q Okay. And I think we went through
6 this before. If you will look at column C. You
7 are expressing no view one way or the other as to
8 whether the -- those lines are going to be
9 tough -- whether [REDACTED] are
10 necessary to preserve the value of and to dispose
11 of the collateral securing the junior secured
12 notes?

13 MR. ENGELHARDT: Objection to form.

14 A No, I do not have an opinion on if
15 they are adding value to the junior secured notes.

16 Q And I think we went through it
17 before. You have no opinion as to whether any of
18 the expenses in column A are adding value to the
19 junior secured notes?

20 MR. MORRIS: Objection to form.

21 A No. I said there is portions of --
22 included in A, but they haven't been identified,
23 that would be used to value the junior secured
24 notes.

25 Q What are those portions?

1 J. Horner

2 A I said we don't have it identified at
3 this point.

4 Q Well, what are they by category?

5 A They would be portions of the asset
6 disposition group that would be -- you have to
7 have accrued liabilities there for employees. If
8 there were any third-party expenses that were
9 incurred to complete the sale of REOs, file
10 foreclosure inventory, managed, or the origination
11 pipeline.

12 Q And you don't have any sense as to
13 what proportion of the [REDACTED] would be attributable
14 to that?

15 A There is approximately -- on the
16 origination pipeline specifically, there is [REDACTED].
17 Other than that, I -- on those categories, I would
18 have to look and attribute this column A, which I
19 don't have.

20 Q And when you say [REDACTED], you mean
21 [REDACTED]?

22 A Correct.

23 Q So, as you sit here today, you can
24 testify that [REDACTED] of column A would be a
25 direct expense of preserving and protecting the

1 J. Horner

2 collateral securing the junior secured notes?

3 A Correct, for the origination
4 pipeline.

5 Q What about for any other asset class,
6 or sorry, expense silo?

7 A I would have to actually go back and
8 do the attribution analytics.

9 Q And I take it you express no view one
10 way or the other -- well, let me ask: Do you
11 believe that the junior secured noteholders -- on
12 behalf of the company, do you believe the junior
13 secured noteholders are obligated to pay any
14 portion of the [REDACTED] after the cash
15 collateral order is terminated, the existing one?

16 MR. HOROWITZ: Object to form.

17 Q And I'm not asking for a legal
18 conclusion.

19 MR. ENGELHARDT: Objection to form,
20 and to the extent it calls for a legal
21 conclusion.

22 Q I will make it very clear, to address
23 your -- I just want the business position, if
24 there is one on behalf of the debtor, since you
25 are here as the debtor representative on the

1 J. Horner

2 Do you see that?

3 A I -- I do.

4 Q And again, even though Mr. Engelhardt
5 designated you as a 30(b)(6) witness on the topic
6 of valuation of the junior secured noteholders'
7 collateral, you have no information to provide me
8 on that.

9 A I do not.

10 Q Okay.

11 MR. ENGELHARDT: I designated the
12 witness with regard to whether or not such
13 valuation has been completed or undertaken.

14 MR. SHORE: Right.

15 Q But you can't tell me anything about
16 that, can you?

17 A No, I cannot tell you if there was a
18 valuation completed.

19 Q All right. And then if you turn to
20 the cash collateral order, paragraph nine on page
21 seven. I know what your answer is, I just have to
22 ask you, because you are the 30(b)(6) witness on
23 the topic of the proposed uses for the cash
24 collateral or the basis for using cash collateral.

25 There's a sentence, "As additional

1 J. Horner

2 determine if there is a range outside of this that
3 could be plus or minus.

4 Q Well, what kind of variance are we
5 talking about?

6 A I haven't completed the analysis.

7 Q So could the costs be ten times as
8 much?

9 A No.

10 Q Could they be five times as much?

11 A No.

12 Q What is the range of expenses that
13 you would be comfortable capping as the chief
14 financial executive of the debtors, who is
15 responsible for, among other things, dealing with
16 expenses?

17 MR. MORRIS: Objection to the form.

18 A Plus or minus 15 percent.

19 Q Plus or minus 15 percent.

20 And so if you just -- 15 percent
21 is -- if -- if it was capped at \$35 million, all
22 of the expenses for liquidating the collateral,
23 you would feel comfortable as the CFE doing that?

24 MR. MORRIS: Objection to the form of
25 the question.